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Economic News from Abroad

**Nasser's Charities**  
A military car assembly plant near Cairo is to be erected by the East German company of Simon Söhl at a cost of 250m. marks (about \$125m) in exchange for cotton and oilseeds. The project also includes the local manufacture of most parts and accessories. The plant is to be completed in 1968, and a team of Soviet and German technicians and fitters is to stay at the factory for a year after it starts work.

The output is to include a small staff car, a cross-country vehicle, and troop-carrying trucks with a chassis.

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While much publicity is given to Israel's industrial and agricultural progress, little attention is paid to our commercial revolution. This is largely due to the feeling that this sector is of secondary importance to our economy, in particular as regards retail trade, and that it is dominated to a great extent by the producers or the consumers.

Moreover, despite its fluctuating fortunes, it appears almost carefree and slumbering, linked to the nation's expanding home market and service. All these popular views, however, are fallacies, or at best half-truths.

Few industries can rank with retail trade as a source of livelihood, or with its contribution to the national income, which alone would justify more interest in its development. In food alone retailers' gross profits may reach 10-15% a year, i.e. a quarter of total sales proceeds. With regard to domestic agricultural products, the retail margin has been estimated to average 20 per cent (with another 20 per cent for the wholesaler), and in a number of other commodities it is presumably lower. Even a modest reduction would thus immediately affect prices.

Indeed, the country's price level may be said to be linked not through the farmyard or the factory but through the retail store. This need not mean that the merchants' profits are excessive, but experts have increasingly become convinced that working methods and efficiency are lagging and call for a major shake-up. Earnings, too, seem to have declined somewhat in the past few years as a result of overworking, more stable prices and higher taxes, making many reforms and cuts in expenditure a matter of life and death.

Many a small shop has already been squeezed out by better competition. The consumers' cooperatives - controlling over 20 per cent of the total food trade - have long been operating on the principle of deficit though they have strenuously attempted to brace themselves by closing down unprofitable branches, introducing incentive pay for salesmen, and leading the way with self-service shops.

The establishment of a chain of "super-markets" by a private American group has been approved in principle by the competent authorities and cannot fail to have wide repercussions throughout the retail trade. As far as vegetables and other fresh farm products go, despite Tuva's opposition, a private committee has recommended some kind of "scale" to consumers. Once the scale is broken and the importance of improved retailing methods recognized, producers and consumers will take them up before long.

We may thus be on the eve of a veritable commercial revolution, and it is high time that its possibilities and implications are closely scrutinized. In the U.S. supermarket-type stores account for a quarter of all retail sales and control over 80 per cent of the total retail turnover. They have been largely responsible not only for boosting consumer levels and changing the industry's sales practices and people's shopping habits, but also for vastly increasing retailing efficiency and reducing trade margins by 50 per cent and more. On the other hand, they have necessitated very high fixed investments and have displaced many veteran traders.

Are we for a similar development? Progress in this direction appears inevitable, but several modifications should be introduced on the European pattern - if proper care is even to planning and due attention paid to Israel's peculiarities. Moreover, retailing should be warned that only serious responsibility of its situation and plans can save it from future disappointment.



Cotton pickers at work in a Negro field.

Photo by Ilan

Cotton Comes of Age

By Our Economic Editor

THE planting of 30,000-35,000 dunams of cotton this season has been acclaimed as another sign of agricultural progress, as well as of our farmers' optimism about the energetic measures taken to combat the boll-worm plague. As a matter of fact, this acreage is almost as large as a year ago (54,000 dunams), and if a normal yield is achieved, as in 1955, some 6,500 tons of cotton fibre may be harvested as compared with 3,000 in 1956. All this of course, would still keep well within the limits of our present raw cotton consumption, and by the time the crop is ginned and ready for use, the new spinners now being erected at Jerusalem, Haifa, Kiryat Gat, and elsewhere, will have to start production and absorb requirements considerably.

**Further Expansion**  
Moreover, the cotton industry has every prospect of further expansion in coming years, and a preliminary survey carried out last year (one of the few earnest attempts at industrial planning that the Government has made) indicated that eventually Israel's raw cotton use will grow to 13,000 tons if her industry is to supply the requirements of a domestic market of 2.2m. tons and to spare one-third of its textile production for export.

When that report was submitted, the above target was set for 1962, but considering the present rate of immigration and the necessity to speed up industrial development and exports, it may well be reached at an earlier date. In addition, cotton is a world commodity, and Lancashire has already indicated its readiness to take up quantities (in particular in the long-staple varieties) far beyond our available stocks. Thus the present cotton acreage could well be doubled if market considerations were the decisive factor.

No doubt the growers would first like to be sure about the efficacy of the new pest controls (and their cost). Recently, pooling arrangements, they now have tonnage on a time-charter basis over and above their present requirements. The average of the freight at which the world's oil is being moved is still 19 per cent above last October.

again expand rapidly, and an area of about 300,000 dunams (four times the figure included in the original Agricultural Development Programme) is now regarded as a practical target.

Such an area would bring in some 120m. (including seeds), i.e. almost half the value of the present citrus crop, and its marketing would be no less assured, since the greater part of it would be sold to the home industry - though cotton exports would presumably have to rely on a moderate subsidy. From the point of view of added value, cotton would even be preferable to citrus, and there are few cultures that can compete with it as regards employment (12-15 work days per dunam, as compared with 25 in citrus groves, eight to nine in groundnuts and two to three in maize).

To achieve this end, many problems will, of course, have to be solved, not all of which are even discernible as yet. For the time being, which is to be established by a special department of the Cotton Production and Marketing Board, the role of private initiative and enterprise is being explored, and it is hoped that a unified spraying campaign, carried out with the assistance of aircraft, will be the use of the new insecticides.

However, other questions will come to the fore before long. Some of them, purely agricultural, can only be solved by long experience and research: proper watering and cultivation, the selection of cotton to local crop rotations and in particular the issue of hand vs. machine picking. Other questions, of an economic character, will have to be faced shortly.

There is the need to double our cotton stocks (at present, we have only four months' supply). This calls for four storehouses at the Beisan, Hertzliya and Kiryat Gat ginning factories can at best accommodate 11,000 bales (i.e. some 2,500 tons) and the question of a central warehouse, equipped with a testing laboratory for grading the cotton, cannot be held off any longer.

Export Questions

Closely allied is the question of cotton exports, which also require adequate pressing facilities. While this should be a problem of the long-staple Pima variety (which eventually proved to be the most pest-resistant) will not exceed some 500 tons that may best be sold to local industry, the

situation will change next season.

In this connection several marketing and financing problems will also crop up. Fortunately the basic issues of centralized marketing have already been settled. Last year saw the introduction of uniform sales contracts between the Cotton Board and the Board of Agriculture, and the replacement of local price fixers by the Board, but not yet seen in all relevant issues.

Credit Conditions

As regards financing too, the prevalent system is based on seasonal advances to growers (made by commercial banks and backed by a government guarantee) up to 50 per cent of the estimated crop value plus a subsidy paid separately by the Ministry of Agriculture, but the replacement of local price fixers by the Board, but not yet seen in all relevant issues.

The Board's first report, issued last month, shows that it has been able to secure the necessary funds for proper functioning - with a balance sheet of IL3.4m. (largely made up of cash and bank deposits on the one hand and advances due to spinners on the other); fixed assets of IL3,000, a staff of 10 and a budget of IL6,000 raised by a 0.5 per cent commission from all sales proceeds. Its proper establishment may show the way for similar boards controlling the production and marketing of other staple commodities.

Percentage of Waste in CARBONS

Ship	Percentage of Waste in CARBONS (Marks & Spencer)
Gord Torm	4.5%
Flammar	10.5% (partly unwrapped)
Kastoria	1.1%
Thyra Torm	4.2%
Stellina	2.9%
Asselot	4.2%
Federstein	1.9% (partly unwrapped)
Cyprina Prima	0.7%
Ada Gorthon	1.2% (unwrapped)

Percentage of Waste in WOODEN CASKS

Ship	Percentage of Waste in WOODEN CASKS
Gord Torm	1.5%
Flammar	1.5%
Kastoria	1.1%
Thyra Torm	4.2%
Stellina	2.9%
Asselot	4.2%
Federstein	1.9%
Cyprina Prima	0.7%
Ada Gorthon	1.2%

buy more of his products, irrespective of whether this is in the interests of the industry or not. The idea of experimenting with cartons is certainly not Mr. Dubiner's. I personally was one of the first to recommend cartons to the growers, and I think that the Board has gone as far as, if not further, than was prudent.

Dollars Must Be Saved At Worthwhile Rate

By Our Economic Correspondent

NEWSPAPERS and other consumers have for long complained of the high price of paper manufactured in this country. Car owners claim that they have to pay high prices for locally assembled cars which, they maintain, are not up to the standard of the originals made abroad. But the paper mill in Hadera is going ahead with its expansion scheme and Kaiser-Frazer too has announced new plans. Both companies have a very telling argument against their opponents, be it consumers or foreign car competitors: they stress that it is the Government that fixes prices.

When the arguments of the car agents found a ready ear with the public, the Ministry of Commerce and Industry appointed a committee to look into the cost calculations of the Hadera plant. It is surprising that this should have been necessary. It might have been expected that the Ministry should know all there was to know about any plant where it had something to say about the price. What is more, doubts have been voiced of and on for years about the value of the dollar saved by certain plants, with the questioners wondering whether the dollar saved by the plant is almost as old as the State.

Barter Point

In the case of cars and paper, there is another characteristic factor. The idea of putting up an assembly plant for cars was based partly on the idea of selling to foreign clients who were unwilling or unable to pay dollars for American machines. Since Israel is an importing country, the idea was to export to countries from which we buy. While we bought paper from Finland it was possible to sell cars there. Now that we are manufacturing our own paper that market has shrunk. The decline in the export of cars is partly due to this and shows that an economic planner must take all the factors into consideration.

In the last resort, the concentration of public attention, at one time or another, on the profitability of any one enterprise, is fortuitous. A survey of the whole of the economic scene, on the other hand, soon results in the conclusion that the single firm is less to blame than our whole system of production, which encourages enterprises in their failures by erecting a protective wall of subsidies and tariffs around them.

Further, the small size of our country means that many an enterprise, once it is set up, automatically enjoys a monopoly which discourages it from seeking improvements; and when there is no such monopoly, the example of the agreement recently concluded between our two tire plants proves that competitors may prefer to divide the market between them to a competition that might result in cheaper or better products.

It is often openly admitted that the only thing which our economy gets out of many

Stocks and Commodities

Shares Influenced by Ata Strike

THE Ata strike influenced mainly the industrial market in Tel Aviv, Ats and Kur-danah shares lost 2 and 2 1/2 points respectively and closed at 57, Palestine Cold Storage, Tera and Jordan Exploration lost between 2-3 points, while Delek lost 6 points and closed at 57 against 58 a week ago. Africa-Palestine and I.L.D.C. shares lost some ground too.

Only small changes took place in the linked section. Tavei Dollar lost 1 1/2 points, closing at 77 1/2 with small turnover.

Although the C.O.L. index for April 1967 has risen by another 4 points, this rise did not have much influence on the prices of the C.O.L. linked securities. The price of Palestine Electric, Keren Hagayim and Haseco C.O.L. debentures remained practically unchanged and all those were approximately 3 points below par.

On the "curb", turnover in I.O.P. shares was very small and they were quoted at IL11 per share. Mifalei Yam Hamelech debentures stood between 250-255 and founders' shares of this Company at 29 approximately. These debentures will be added to the official list of the Tel Aviv Stock Exchange in the very near future, whereas the founders' shares will remain on the "curb" only.

The first drawing of the Defence Bonds premium issue

will take place on May 21. Thereafter all issues of this loan will be added to the official list. There will be six quotations: 2 quotations of the 4% per cent issue, one 3 and one C.O.L. linked, 2 quotations of the 6% per cent issue, one 5 and one C.O.L. linked, and 2 quotations of the premium issue, large and small.

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